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THE RECENTLY NEGOTIATED TRADE AGREEMENTS

WITH

CANADA AND THE UNITED KINGDOM

WITH PARTICULAR REFERENCE TO DAIRY AND
POULTRY AND OTHER AGRICULTURAL PRODUCTS

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THE NEW TRADE AGREEMENT WITH CANADA 1/

This Agreement was signed November 17, 1938, and becomes effective January 1, 1939.

This Agreement supersedes the one with Canada signed November 15, 1935.

The previous Agreement went into effect January 1, 1936 and is commonly referred to as the 1936 Agreement.

The new Agreement has an initial term of three years and may continue in force indefinitely until six months' notice by either country.

The trade between United States and Canada outranks that of any other two countries in the world.

The commodities on which Canada has reduced its duties make up a substantially larger value of trade than do the commodities on which the United States lowered its duties.

In the aggregate the concessions made by Canada cover articles which Canada imported from the United States in 1937 to a value of approximately \$358,000,000 - or 73 percent of the imports from this country.

Only about 2/5 of our imports from Canada are subject to duty.

The reductions in duty by the United States cover commodities which this country imported from Canada in 1937 to a value of \$121,000,000. This represents 31 percent of the combined free and dutiable imports.

In the case of both countries a large proportion of the articles not covered by the Agreement consists of non-commercial items or of commodities of which the other country is not the principal source of imports.

In the new Agreement the United States and Canada guaranteed to accord each other unconditional "most-favored-nation" treatment with the usual exceptions as regards certain countries.

Under the most-favored-nation provision, United States commodities shall pay rates of duty no higher than the lowest rates paid by any other country outside the British Empire. The same applies to Canada as regards special trade advantages between United States and Cuba.

Many American commodities on the Canadian free list were bound against the imposition of duties by the Agreement of 1936 and are rebound against the same in the new Agreement.

The new Agreement provides that with respect to all items upon which Canada grants concessions the special Canadian excise tax of three percent will be removed as soon as the necessary legislation can be enacted.

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STATUS OF DAIRY AND POULTRY PRODUCTS UNDER THE NEW AGREEMENT WITH CANADA

Butter - Not mentioned in either the Canadian or United Kingdom Trade Agreements.

Cheddar Cheese - The rate on Cheddar Cheese entering the United States from Canada, previously lowered from 7 cents to 5 cents, is now made 4 cents, the minimum ad valorem rate remaining unchanged at 25 percent to which it was reduced in the 1936 Agreement. The present Agreement also includes Cheddar Cheese other than original loaves but not processed, which the previous Agreement did not include. The trade in cheese in this latter form is very small.

Imports from Canada during 1937 was 4,656,000 lbs. Total domestic production was 497,007,000 lbs. In 1937 imports of Cheddar Cheese declined sharply under 1936 while domestic production fell off only about 5 percent. During 1938, January to October inclusive, imports of Cheddar Cheese from Canada declined still further. Such imports were 1,646,627 lbs. compared with 4,655,683 lbs. for the corresponding period in 1937.

Cream - Fresh or sour. Duty reduced from 56.6 to 35 cents per gallon in the 1936 Agreement only on 1-1/2 million gallons. This quota (1-1/2 million gallons) is equivalent to considerably less than 1 percent of domestic production. Imports under that Agreement were only about 1 percent of the quota in 1937. Duty was reduced in the new Agreement from 35 to 28.3 cents per gallon, but the quota provision remains unchanged. The rate of 56.6 cents per gallon applicable to imports in excess of the quota is bound against increase.

Whole Milk - Duty reduced from 6-1/2 to 3-1/4 cents per gallon on a tariff quota of three million gallons annually. Imports in excess of that amount are dutiable at the former rate, which is bound against increase. The estimated annual output of whole milk in the United States is around 12 billion gallons. The tariff quota represents only about 3/10 of 1 percent of this amount. Imports of whole milk have been almost negligible since 1930.

Skimmed Milk - Rate remains the same, 2-1/20 cents per gallon. This rate is now bound against increase. Imports are very small, 18,000 gallons against a domestic output of about 6 or 7 billion gallons in 1937.

Dried Buttermilk - Rate reduced from 3 cents to 1-1/2 cents per pound. Imports are insignificant compared with domestic production.

Total imports 1937 (mostly from New Zealand with none from Canada) were valued at \$334,000. Estimated value of domestic production 1937 \$2,854,000

Eggs of chickens, in the shell - Reduced from 10 cents to 5 cents per dozen, reciprocally by both the United States and Canada. United States exports more eggs to Canada than are imported from Canada. Total imports are only a small fraction of 1 percent of domestic production. Imports from Canada in 1937 were 12,000 dozen. Domestic production is over 2-1/2 billion dozen annually. Exports in 1937 were over 2 million dozen.

Live Birds - Duty on live chickens, ducks, geese, turkeys, and guineas was reduced in 1936 Agreement from 8 cents to 4 cents per pound. The 4-cent rate is unchanged in the new Agreement. In 1937 total imports including those from Canada approximated 5 million pounds. The value was insignificant compared with domestic production. Owing in part to the reduced duty and

in part to the domestic meat shortage, annual imports in both 1936 and 1937 were many times larger than in 1931-35. During 1938 to date imports have been much smaller than in 1937.

Dressed Birds, fresh, chilled, or frozen - The 1930 rate of 10 cents per pound was reduced to 6 cents on chickens and guineas only, in the 1936 Agreement. The new Agreement extends the 6-cent rate to ducks and geese. Imports of these two latter classes, however, is relatively small. During 1936 and 1937 imports of dead ducks and geese increased, as was true of other classes of poultry. The fact that imports of dressed ducks and geese increased greatly without a reduction of duty would appear to indicate the degree to which the domestic shortage of meats in general stimulated imports of poultry. During 1938 to date imports of all classes of dressed poultry have been below those of 1937. Dressed turkeys remain dutiable at the 1930 rate of 10 cents.

SOME OTHER CONCESSIONS BY THE UNITED STATES ON IMPORTS FROM CANADA.

Dairy cows, over 700 lbs. - Rate of 1-1/2 cents per pound continued. Recent past imports small. Tariff quota of 20,000 head annually dropped.

Cattle, over 700 lbs. - Reduced from 2 to 1-1/2 cents per pound with number at reduced rate limited during any quarter to 60,000 head, but not more than 225,000 head in any calendar year.

Swine - Reduced from 2 cents to 1 cent per pound.

Pork - Reduced from 2-1/2 cents to 1-1/4 cents per pound on fresh or chilled pork.

Bacon, hams, and shoulders - Reduced from 3-1/4 cents to 2 cents. Imports very small compared with domestic production. No reduction in duties on canned pork or sausage.

Horses, not over \$150.00 in value - Reduced from \$20.00 to \$15.00 per head.

Horses, over \$150.00 in value - Reduced from 20 to 17-1/2 percent ad valorem. Imports of all horses constitute a very small fraction of the domestic supply.

Maple sugar - Reduced from 4 cents to 3 cents per pound.

Maple syrup - Reduced from 4 cents to 2 cents per pound.

Honey - Reduced from 2 cents to 1/2 cent per pound. Imports small. Canadian honey enters the British market free. New British rate on United States honey is about 4/5 cent per pound.

Barley - Reduced from 20 cents to 15 cents per bushel.

Oats - 8-cent rate per bushel continued on hulled, extended to unhulled.

Wheat - Unfit for human consumption - Reduced from 10 percent ad valorem to 5 percent ad valorem.

Bran, shorts, by-products - Reduced from 10 percent ad valorem to 5 percent ad valorem.

Hay - Reduced from \$3.00 to \$2.50 per ton.

Table potatoes - Reduced from 75 cents to 37-1/2 cents per 100 lbs., March to November inclusive. December to February inclusive, 60 cents per 100 lbs. Reduction applies only to 1 million bushels except that in years when the United States crop is less than 350 million bushels the quota is increased by the amount of the deficiency. In 1937 and in 1938 the domestic crop has greatly exceeded 350 million bushels.

Some reduction also made in the rate on fishery products, papers and books, silver or black fox furs, harness leather, gloves, metals, motorboats, Christmas trees, and sundries.

SOME CONCESSIONS BY CANADA ON IMPORTS FROM THE UNITED STATES

Live hogs - Reduced from 1-1/4 cents to 1 cent per pound.

Fresh pork - Reduced from 2-1/2 cents to 1-1/4 cents per pound.

Bacon, hams and shoulders - Rate of 1.75 cents per pound is bound against increase.

Beef and veal, edible offal - Reduced from 6 cents to 4 cents per pound.

Barley - Reduced from 22.5 cents to 15 cents per bushel.

Oats - Reduced from 9 cents to 8 cents per bushel.

Corn (Indian) - Reduced from 20 cents to 10 cents per bushel. Covers corn used for feed but does not cover corn imported for certain specified uses.

Poultry and game - Reduced from 17-1/2 percent ad valorem to 15 percent ad valorem. Covers both live and dressed poultry.

Eggs in shell - Reduced from 10 cents to 5 cents per dozen.

Potatoes - August 1 to June 15 inclusive 75-cent rate per 100 pounds eliminated. June 16 to July 31 inclusive reduced from 75 cents to 37-1/2 cents per 100 lbs.

Fresh vegetables - Reduced from 15 percent to 10 percent ad valorem. Concession also includes substantial reductions in seasonal dumping duties.

Whiskey - Reduced from \$10.00 to \$6.00 per imperial proof gallon.

Cigarettes - Reduced from \$4.10 per pound and 25 percent ad valorem to \$3.00 per pound and 15 percent ad valorem.

Many fresh fruits - Reduced from 15 percent to 10 percent ad valorem. Seasonal dumping duties also reduced. Period of full entry of oranges lengthened.

Bath tubs - Reduced from 35 percent to 27-1/2 percent ad valorem.

Cream separators - Reduced from 25 percent to 12-1/2 percent ad valorem.

Office machines - Reduced from 20 percent to 12-1/2 percent ad valorem.

Aircraft - Reduced from 22-1/2 percent to 20 percent ad valorem.

Linoleum - Reduced from 35 percent to 30 percent ad valorem.

Dressed lumber - Reduced from 20 percent to 10 percent ad valorem on tongue and grooved.

Rubber tires - Reduced from 30 percent to 25 percent ad valorem.

On a very long list of commodities Canadian duties were lowered through the most-favored-nation provision of the 1936 Agreement and continued in the new Agreement, but not bound at the lower rates.

THE NEW TRADE AGREEMENT WITH THE UNITED KINGDOM. 1/

This Agreement was also signed November 17, 1938 and is particularly important because the United Kingdom is by far the principal market for American agricultural exports.

Exports to the United Kingdom in 1937 accounted for about one-third of the exports of agricultural products from this country to all countries of the world.

Twenty Agreements have now been negotiated under the Trade Agreements Act of 1934. Such Agreements relate to tariff areas which together take nearly three-fifths of all American exports and about 65 percent of our agricultural exports. The same areas supply about 60 percent of the imports into the United States.

Important concessions have been secured for American farm products in the United Kingdom market. With the exception of a reduction of the United States duty on dead game birds the imports from the United Kingdom of which are relatively small, no concessions were made in this Agreement by either the United States or the United Kingdom proper, on dairy and poultry products.

Among the most important concessions secured for American farm products was abolition of the United Kingdom duties on wheat, lard, canned grapefruit and certain fruit juices.

In addition to the foregoing, substantial reductions in the duties on rice, apples, pears, and certain canned fruits were obtained. Also, an increase was obtained in the quantity of American hams permitted to enter under the quota system with a binding of duty free entry of ham and certain other pork products, corn (other than flat white corn), and cotton.

The scarcity of grains and meats in the United States in the last few years as a result of the drouth has been a factor of major importance in the reduction of American exports. Even so the value of imports into the United Kingdom from the United States, of all articles, agricultural and non-agricultural on which concessions are obtained in the Agreement, was about \$300,000,000 for 1936, the latest year for which detailed statistics of same are available.

1/ Department of State Publication 1252, Supplement A.

There is every reason to believe that with a return to previous production conditions in the United States, and with liberalization of customs treatment in the British Markets, exports of farm products from the United States to the United Kingdom will exceed those of the last few years.

The Agreement with the United Kingdom is significant not only because of the wide scope of the trade which will benefit directly from it but also because of its relation to the general commercial policies of the two countries.

Inasmuch as the trade policies of the United States and of the British Empire have wide influence in the world, the liberal spirit shown in this Trade Agreement should have an important bearing on the commercial policies of many other countries.

SOME CONCESSIONS MADE BY THE UNITED STATES ON IMPORTS
FROM THE UNITED KINGDOM

Sewing machines (valued over \$75.00) - Reduced from 30 percent to 15 percent ad valorem.

Bath salts, perfumed - Reduced from 75 percent to 37-1/2 percent ad valorem.

Certain paints - Reduced from 25 percent to 15 percent ad valorem.

Photographic lenses, less than \$5.00 each, imported separately - Reduced from 45 percent to 30 percent ad valorem.

Radio and wireless apparatus - Reduced from 35 percent to 25 percent ad valorem.

Electric motors - Reduced from 35 percent to 25 percent ad valorem.

Golf balls - Reduced from 30 percent to 20 percent ad valorem.

Textile machinery - Reduced from 40 percent to 25 percent ad valorem.

Furniture - Reduced from 40 percent to 25 percent ad valorem. Chairs not included in concession.

Silver plated table, household, and hospital utensils - Reduced from 50 percent to 35 percent ad valorem.

Rugs of oriental weave - Reduced from 60 percent to 40 percent ad valorem.

Gloves (leather) - Reduced from 25 percent to 15 percent ad valorem. Covers gloves made from horsehide and cowhide only.

Fishing rods - Reduced from 55 percent to 30 percent ad valorem.

Inlaid linoleum - Reduced from 42 percent to 32 percent ad valorem.

Handkerchiefs, cotton - Pay variable cotton cloth rates, plus 10 percent ad valorem if hemmed.

Handkerchiefs, other than cotton, not hemmed - Reduced from 35 percent to 20 percent ad valorem. Hemmed reduced from 50 percent to 35 percent ad valorem.

Certain toys - Reduced from 70 percent to 45 percent ad valorem.

SOME CONCESSIONS MADE BY THE UNITED KINGDOM ON IMPORTS FROM THE UNITED STATES

Wheat - 6-cent duty eliminated.

Corn (other than flat white) - Bound free.

Lard - 10 percent duty eliminated.

Pork (chilled or frozen) - Bound free. "Equitable treatment" assured.

Hams - Duty free treatment continued and import quota increased by around 9 million pounds.

Pork tongues, canned - 10 percent duty bound.

Dried fruit - Reduced from 25 percent to 17 percent ad valorem equivalent of specific rates. Does not cover prunes and raisins, on which present duties are bound.

Grapefruit, canned - 15 percent ad valorem duty eliminated.

Apples, fresh - Specific rate reduced from the equivalent of 24 percent to 16 percent ad valorem.

Canned vegetables - Reduced from 20 percent to 10 percent ad valorem on corn and asparagus.

Rice - Reduced from 2 cents to 1-1/3 cents per pound.

Tobacco - Bound against increase in preferential margin now enjoyed by tobacco from British Imperial countries.

Agricultural tractors - Reduced from 33-1/3 percent to 25 percent ad valorem per tracklaying types; rate on other types bound at 15 percent.

Automobiles - Assurance against increase in existing duty.

Cotton dresses - Assurance of no increase in 20 percent rate.

Women's shoes - Reduced from 20 percent to 15 percent ad valorem or about 50 cents per pair, whichever is the higher.

Toilet preparations - Reduced from 30 percent to 20 percent ad valorem.

In addition to the foregoing and other concessions made by the United Kingdom proper, numerous concessions or assurances against increases in the rates of duty on imports into the British Colonies and Newfoundland have been negotiated.

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